Burgess, Henry
A memorial

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A MEMORIAL,

ADDRESSED TO

THE RIGHT HONOURABLE

LORD VISCOUNT GODERICH,

ON THE

FITNESS OF THE SYSTEM OF THE BANK OF ENGLAND,—

OF THE COUNTRY BANKS,—

AND OF THE BRANCH BANKS OF ENGLAND,—

TO THE WANTS OF THE PEOPLE:

AND ON

THE AMPLE MEANS OF PROTECTION, WHICH PRIVATE BANKERS AND THE PUBLIC HAVE, AGAINST THE MONOPOLY OF THE BANK OF ENGLAND.

BY

HENRY BURGESS.

London:

PRINTED BY HARVEY AND DARTON,
GRACECHURCH-STREET;

AND SOLD BY J. RIDGEWAY, PICCADILLY; AND AT
81, LOMBARD STREET.

1827.

Price Two Shillings.

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A MEMORIAL, &c.

To the Right Honourable Lord Viscount Goderich, First Lord Commissioner of His Majesty's Treasury.

The Memorial of Henry Burgess, of 81, Lombard Street, in the City of London,

Sheweth,

That your memorialist, feeling the greatest anxiety that your Lordship, and His Majesty's present government, should adopt principles and recommend measures, in regard to the important subject of the currency, founded upon a correct knowledge of the case; has determined, at the risk of being charged with presumption for so doing, forthwith to submit his reflections, on one part of this momentous subject, to your Lordship's consideration.

That your memorialist firmly believes, that ruin the most extensive, and misery the most

aggravated, have been produced, solely because the government, the parliament, and public bodies, have all along proceeded to act upon erroneous or defective information, in regard to the money and banking affairs of this country.

That your memorialist, by much intercourse with bankers, deems himself thoroughly acquainted with their habits and opinions; but he prays, in a more especial manner, for your Lordship's serious attention to his statement; because he has had very peculiar opportunities of observing the habits, and knowing the interests and opinions, of farmers, graziers, traders, and the secondary class of manufacturers: these, which in the aggregate form the great central body of the industrious portion of the community; on whom mainly depend the wealth, prosperity, and power of the state; have never been properly consulted, as to the manner and degree in which their condition will be affected by arbitrary changes in the money affairs of the country.

When viewed in relation to the public and private money engagements of the kingdom, the general question of the currency is involved in perplexity and difficulty: your memorialist will therefore not be guilty of the gross indiscretion of attempting to convey, by memorial, his re-

flections upon any but that part of the subject which requires the immediate consideration and interposition of the government. He will, therefore, confine his observations to the Bank of England—to the private bank system,—and to the effect upon bankers in general, and on the community, of establishing Branch Banks and suppressing country banks.

When the remarkable effects of alarm, in the beginning of the year 1826, threatened to exterminate a great proportion of country bank-note circulation, your memorialist was one who hastily adopted the erroneous opinion, that it was the duty of the directors of the Bank of England to establish branches to meet the emergency. The extraordinary and unprecedented nature of that emergency, greatly extenuates any error of judgment. The directors of the Bank of England resolved to establish branches, to remedy distressing temporary and local inconveniences. Looking at the early professions of the Bank directors, as set forth in open court by the governor, to limit their operations to " places where the particular accommodation they had the power of furnishing was justly required * ;"—at their recent measures

* See the Times newspaper, September 26th, 1826.

and their avowed purposes, no man of sense will deny that the present objects of the directors are;—to prevent the circulation of all notes but those of the Bank of England, and to obtain all the most lucrative banking business of the country. The first they will speedily endeavour to accomplish by a new law; the second, they will attain by offering cheaper terms to the public, and sinking the capital stock of the proprietors in establishing connexions, till all wealthy bankers are driven from the field of competition, and they have an undisturbed monopoly.

The Bank of England was established, by royal charter, in the year 1696; and their Majesties confirmed the Governor and Company of the Bank of England "one body politic and corporate," with "perpetual succession;" describing their motive "to be a desire to promote the public good and benefit of our people, which in these presents is chiefly designed and intended."

This company conducted their affairs, during 130 years, viz. from the year 1696 to the year 1826, wholly in London; and they confined their operations almost exclusively to transactions with the government; and with the chartered banks of Scotland and Ireland; and to making loans to merchants by discounting bills. During that period they scarcely interfered in

any manner with the general banking business of the country.

The Bank of England can receive but little of the surplus capital of the country, because it allows no interest for money deposited. The giving of interest would, upon its fixed and unreversible principles, and under the management of almost any set of directors, soon cause ruin to the establishment; yet the great characteristic of the country banker is that of agent for the affluent, who employ him to invest their surplus capital judiciously amongst the industrious. The present constitution of society renders the borrowing of money from the rich, on interest, and lending it to the necessitous, so natural and urgent, that it was carried on for a long period in England, chiefly by scriveners; encumbered with all the expenses, delays, technicalities, and formalities of law. No effort of human wisdom could devise a scheme better adapted to its purpose, than that of establishing country banks, to take the spare money of the wealthy, on interest, and lend it to men of industry in the vicinity;—securing, in a manner the most easy and efficacious, advantages in common to those who labour, and those who, by their savings, can rest from labour. A system which, by diffusing capital promptly and efficiently amongst the productive classes, has,

with the moral qualities of the people, caused this country to rise in political importance above all other states.

After the Bank of England had been established more than half a century, those causes began first to operate on an extended scale, and in a remarkable manner; which, by increasing the productions of the mines, by extending manufactures, by giving enterprise to commerce, by improvements in agriculture, have afforded results unexampled in the history of nations.

The principles of the Bank of England render it wholly unfitted to extend any effectual aid to those important causes, which in our day have produced such astonishing effects. But then, if ever, was the time, when the directors should have resolved on establishing Branch Banks; when the extended mining and manufacturing operations of the country needed the aid of new capital, to ensure a successful and triumphant issue. Not when connexions had been formed—interests grown up, and ample capital furnished, and judiciously appropriated by other banks. The necessity for such aid was obvious, and its urgency may be known, by the fact, that manufacturers, in some of the remote parts of Yorkshire and Lancashire, were compelled to conduct all their banking transactions

at Nottingham, 70 to 100 miles distant from their dwellings and factories; because there were no banks at Leeds or Sheffield, or any of the intermediate towns. These transactions were performed in the most cumbrous and expensive manner. When a Leeds merchant received a remittance of foreign bills of exchange, the only bank between his dwelling and London being situated at Nottingham; his habit was to mount his horse, carry his bills thither to be discounted, and bring home the solid metal in his saddle-bags.

The urgent and imperative wants of the people, made manifest by these circumstances, caused the great extension of the country bank system; and with it the general banking interest of London. Banks, by being the points where money is collected, and whence it is distributed to the public, bear the same relation to the money affairs of a country, as markets and roads do to the productions and commodities: they facilitate interchange, remove obstacles and delays in the transit; and, in this manner, they all tend to increase productions and to diminish their cost. If those important moral causes of the nation's wealth and prosperity,—the skill, and industry, and genius of the people, could have derived no pecuniary succour but such as the Bank of England would afford, they might, in some of the most important depart-

ments of industry, have ceased to operate with the first efforts of the enterprising and laborious individuals; who, by perseverance, and the effectual aid which they derived from banks, succeeded in opening to the country vast sources of wealth and power.

The extraordinary consequences in all mining, manufacturing, and commercial operations, which have flowed from the application of capital, chiefly by the means of banks, are notorious, and may be estimated with tolerable accuracy by returns rendered by the customs, or excise, or stamp offices, or by some municipal or established authority; but no similar estimate can be made of the effect produced by the same cause upon the cultivation of the land. Some criterion by which to judge of this may, however, be afforded by the fact, that a land-owner, now living, increased his rental during his own life, from one and the same estate, from two thousand pounds per annum to twenty thousand pounds per annum; and the tenants were more prosperous, and richer, at the higher rent-charge than at the lower. The effect was not caused by the proximity of the estate to a manufacturing or greatly increasing population; but by improved husbandry, the introducing and maintaining of which depended on the country bank system.

In considering the wonderful effect produced by the stimulation which was given by the banking system of England to ingenuity and labour, in all departments of industry, it is remarkable how little of this effect can be traced to the Bank of England, which, "in itself and by itself*," gave little, if any, direct support to the expanding energies of the people, who were engaged in agriculture, mines, and manufactures. No farmer, desirous of augmenting the produce of his fields, could aid his operations in husbandry, or add a hoof to the flocks and the herds in his pastures, by borrowing money of the Bank of England. The workmen in the mines have not been paid in the money of that corporation; and in regard to manufactures, though a few have obtained loans from the Bank of England, and used their notes in paying wages, the number is so small as to prove, by the exception, the utter insignificance of the aid which any operations in industry have received from that establishment.

Nothing has rendered this country more famous than the perfection of its means for interior communication; yet, what association for constructing bridges or canals, roads or railways,

* See letter and communication from Lord Liverpool and Mr. Robinson, to the Governor and Deputy-governor of the Bank, January 13th, 1826.

has been supported by loans from the Bank of England? It was not money from this bank which converted the pestilential and useless marshes into healthy and luxuriant meadows; or which caused the rich corn-fields to rise upon the sterile wastes.

The country banking interest has grown up, principally, during the last seventy years, in aid of the energies of the country; an interest which has, for a long time, been like cause and effect, intimately connected with all the operations in industry, and is now inseparably blended with the means of national wealth. It may be said, generally speaking, that no farmer enters upon a farm, without knowing previously whether, in case of a deficiency in his own means, the neighbouring banker will, directly or indirectly, enable him to purchase stock; nor will he enter upon extensive improvements, without knowing whether he will be supported by the same pecuniary aid, till the beneficial returns which must result from those improvements come to set him free. While the miner and the manufacturer resort to country bankers for the means of paying wages, as well as for assistance to keep their workmen employed and accumulate stock, during temporary but constantly recurring periods of slackened demand. It is impossible to estimate accurately the magnitude of this interest. No

man acquainted with the subject will deny, that in the personal property of bankers amenable for their engagements; in the deposits committed to their charge; and in their paper circulation, an interest is combined of a magnitude six times the extent of that which is comprised in the paper circulation, the deposits, and the capital stock of the Bank of England. That, while the former derives its importance from being connected with the active classes in the community, the latter is known almost solely from its connexion with the government. And though it be an interest which cannot be *accurately* estimated, some criterion by which to judge of its importance may be afforded by the facts, that one banking company lent, at one time, to the farmers and traders of one county and the borders adjoining, a million sterling; and that one copartnership in the city of London, which derives its means and its importance entirely from the country banking interest, has, in some periods, discounted a much greater amount in a single year, than the Bank of England has discounted during the same year.

The operations of industry having become dependent, to a vast extent, on the functions of the country banker, all rents and all incomes derived from fixed property (other than government security) must be greatly affected by the

prosperity or adversity of the banking interest.

Is this an interest for the subversion of which the power and resources of the Bank of England must be applied? When all the processes of industry have become almost identified with the country bank system, and are continued by its means, is it wise so to risk the disturbance of capital, and the breaking up of establishments which afford employment to the labourers? When men of property and character have devoted their time and talents to establishing a business, requiring the most particular and anxious attention, upon principles which will afford security to the lender of money, and benefit to the borrower, is it just to endeavour to deprive them of the fruits of experience, by the unfair competition of Branch Banks from the Bank of England? Can this design be accomplished, without imminent danger to the prosperity of the community, and to the resources of the state?

The Bank of England is unfitted, by its constitution and the principles of its action, to perform the general banking business of the country. If the principles were unobjectionable, that vigilant, minute, never-relaxing attention which is indispensable in the banking business, rarely can be met with in delegated functionaries, whether directors or managers; a circumstance which

must render Branch Banks, at places remote from the Bank of England, eminently hazardous. The essence of the banking business is, that those who practise it can render constant attention to individual circumstances. The directors of the Bank of England will lend only for a stated period, and in a particular manner; and they require repayment, on a fixed day, of the whole sum. Other bankers will lend for a longer or a shorter period, upon one kind of security or another, to be regulated by circumstances; and they will take back the sum lent at once, or at various times, in whole or in part, according to the convenience of the borrower.

That the principle of the Bank of England is monopoly, to the heart's core of its system, is manifest; and this master vice will taint all its proceedings, and produce every where the same consequences in society. By discounting large sums, it affords facilities to the powerful to enter upon speculations, and conduct enormous establishments. By refusing to discount small bills, it debars the struggling man, of little means, of its advantages. It refuses all accommodation to those who can perfect their operations only by long-continued persevering efforts; therefore, all processes in agriculture, and most of those in mining and manufacturing concerns, must proceed without its influence, or be aban-

doned for the want of it. Its principal transactions with the public being by means of discounting bills, it affords encouragement to middle men, who deal only by wholesale: men who, by means of discounting at the Bank of England, can at any time cause a glut, or produce an artificial scarcity; and who can thus throw the concerns of those who are engaged in producing, or those who purchase for the consumers, into ruinous confusion. No man of good credit, prudence, and industry, can borrow money of the Bank of England, but by means of a bill of that particular kind which their rules prescribe; but any such man can borrow money of a country banker, so long as he retains the qualities of prudence and industry. The directors take no cognizance of personal conduct; accordingly, any specious man, who has once established his credit with them, and opened a discount account at the Bank of England, or any of its branches, may raise money so long as he can create bills fashioned according to their particular regulations. But any man who desires to continue, from time to time, to borrow money of a country banker, must retain his character of prudence and intelligence, which first guaranteed the loan. Hence one system offers a premium for raising money by dexterous expedients and accommodation, and leads to

gambling habits of speculation in commerce; the other gives encouragement to skill, and labour, and perseverance in all departments of industry, and not alone in those where bills greatly prevail. The leading principle of the Bank of England acts so as to deny all assistance to the man who is engaged in producing things of value by continued labour, and to afford all encouragement to sharp and cunning men of the market, who deal and deal, and cause the same commodity to pass through a dozen hands, without changing in any respect its form or texture, or adding to its intrinsic value; consequently, all operations in agriculture, all mining processes, and all operations in manufactures, wherein labour is a great constituent of price, are excluded from its influence.

What an important distinction this is, in a country where employment for labour is the one thing wanted! To devise the means of profitable occupation for the people is that problem, to solve which every aspiring statesman trims his midnight lamp, while his hoary elders look on with despairing meditation.

There are other and important objections to the extension of the Bank of England system. It is not an evil solely because by suppressing country banks it will cause capital to be drawn from the long-established occupations of indus-

try; but it is an evil of great magnitude because, in the practical application, its direct tendency is to produce effects exactly the opposite of those which a wise man would desire.

During the last forty years of the last century, when the laborious were attracted by the discoveries and inventions of genius to new objects, and the energies of industry were becoming more and more extended and developed, capital was the one thing needed: the directors of the Bank then withheld all assistance from the country. Now, when capital has become abundant, they endeavour to force an additional supply of it; and they force it too, where it is least required. Bills being the most convertible of all securities for loans, and affording the greatest certainty of a quick return of capital, all temporary holders of surplus money seek bills for temporary investment; consequently, there is a tendency to draw all floating capital to the seats of commerce and manufactures, where bills abound. It is in the undertakings in husbandry, and among small traders, that capital is deficient. Many farmers are prevented from cultivating their farms most advantageously, or from making any improvements on the land, because they have not money enough to buy that kind of live stock, or to raise that sort of crop, best adapted to

their purpose. It is a gross fallacy, and betrays excessive ignorance of the subject, to suppose that country bankers are too prone to lend money to farmers. The return of the money being always at an uncertain, and often at a distant point of time; and there being no current transactions to render profit to bankers; there has, from the year 1815 to this moment, been a great reluctance to lend money to farmers. In those parts of the country, where agriculture and the rearing and feeding of cattle occupy the people, much money is deposited in the banks on interest; but of any given quantity of money so deposited by rich farmers and graziers, not more than one fourth is lent by the bankers to farmers of inferior property; and the remaining three fourths is lent to merchants, manufacturers, and traders. The great merchants and manufacturers of England are enabled, by this state of things, to borrow money in so great abundance, and on terms so easy, that they are induced to employ large sums in mining, manufacturing, and commercial undertakings abroad. In this manner rival interests are encouraged to grow up in foreign states. Arbitrary changes in banking affairs, introduced, and threatened to be introduced, by "A bill for the further regulation of bankers," have induced bankers to draw in, gradually,

much of their money from farmers, to whom they have, for a long time, lent it reluctantly; and this is thrown into great masses in London, and thence forced into those particular channels of commerce which are already too full. In this state of things, the directors of the Bank attempt to force an overflowing supply in the same channels. The effect of this combination of circumstances cannot fail to be injurious to British interests. The directors of the Bank of England, by offering to lend money upon bills alone, and pushing their agents into districts where excess in the currency is always generated by means of bills, have adopted a glaring error in principle, which will lead to pernicious consequences.

Having shown the evil tendency of the Branch Bank system in a general sense, a very few words will be sufficient to show its particular danger, local, personal, or temporary.

In a manufacturing district, it would be a great evil to have the supply of money to pay wages suddenly stopped. Yet, when the exchanges become disordered, and a great amount of gold is exported, alarm ensues. Coin is hoarded: the Bank is pressed for gold: the directors have no resource but to stop, all at once, their accommodation, from all who have sought relief and assistance from Branch Banks.

They have no sympathy with individuals; and their rule cannot be relaxed for particular cases, however urgent or distressing. The gold in their coffers must not be exhausted—a catastrophe which nothing can prevent but sealing up the conduits by which money flowed from the Bank to the public. At such a juncture, none but those who have absolute demands can get money at a Branch Bank. Works will be instantly stopped, workmen dismissed, and misery will ensue. The country bankers, at such crises, dare not hazard their reputation by refusing to continue any stipulated accommodation, or suddenly drawing in advances; but they take their own locked-up securities, and seek temporary aid from other great depositories of capital. The Bank of England can resort to no third party for relief, except the government. In times when paper circulation becomes discredited, the mere act of changing one kind of paper for another stems the demand for gold; and thus, time is gained for counteracting proceedings which will bring matters right.

Excess in paper circulation is far more likely to be promoted by Branch Banks than by country banks; partly, though not solely or principally, because their terms of business are cheaper. Seven parts out of eight of all demands upon country bankers who failed in the

crisis of the year 1825—6, have been paid in full. If country banks had been suppressed before that period, and Branch Banks had existed in their places, and an equal demand for gold had prevailed, would seven out of eight parts of all demands have been paid in so short a space of time by the Bank of England, at the Mint standard? Five days of continued general demand for gold would have closed the Bank of England, or have brought out a compulsory government-paper to its support. Is it expedient to adhere to the law which compels all payments to be made in gold when demanded? It is considered to be so important, that, one of the alleged motives for establishing Branch Banks, was to prevent excess, which would endanger it. To take a commodity into a full market, and offer it at a reduced price, is a curious mode of lessening supply. Comparative cheapness will bring custom, and Branch Banks will, in time, acquire business. They are already resorted to more and more, for receiving dividends on stock; and the profound secrecy kept respecting all bill transactions, together with the cheapness, will induce traders to discount at the Branch Banks, wherever bills are much in use. No device within human skill to adopt, could so infallibly cause the law which compels cash payments to be broken, as

that of suppressing country bank notes and country banks, and substituting the notes of the Bank of England and Branch Banks. The system, therefore, cannot be established, without producing the greatest danger to the Bank of England, and enormous evil in the country.

Your memorialist having stated his reasons, at some length, against the establishment of Branch Banks as an exclusive system, must bestow a brief notice upon the consideration that it may go on advantageously, hand in hand, with the private bank system.

The directors will either succeed in their object, or they will not. If they cannot succeed, the present state of uncertainty and apprehension should be put an end to immediately, by the entire abandonment of the scheme; but if they do succeed, and take from country bankers all their wealthy customers, and those who are engaged in most extensive traffic, the other classes (the most important in regard to raising or maturing the productions which constitute permanent national wealth) must be abandoned; because the extensive traders and the opulent members of the community, are those alone on whom bankers can depend for repayment of loans, or assistance in sudden emergencies. To this cause, and the alarm engendered in the minds of bankers regarding the effects which

may flow from chimerical attempts to improve the banking system, must be ascribed the late and present difficulty in employing money. The country bankers draw it in from the many who were employing it, in small portions, in operations of industry in England, and lend it to a wealthy agent in London, who relends it to some enormous capitalist engaged in advancing loans to foreign states, or in some mining or other speculations abroad. This process is in extensive though in silent operation; and it will, in the end, produce enormous evil. Banking transactions are amongst the most hidden of all the operations of commerce; to which cause must be ascribed, in great measure, the injurious proceedings of public bodies in regard to bankers. By collecting, from various sources, a mass of individual cases, the truth might be demonstrated. Your memorialist will cite one of these cases. He is acquainted with a country banker, who, till of late, generally employed all his surplus capital amongst the industrious in the neighbourhood of his bank. He has recently, for a considerable time, lent £100,000, to a wealthy agent in London, at a low rate of interest, who has again lent that and other sums to a great house in the city, engaged in working mines in Sweden. Another city firm is adopting measures for working mines in Asia. In

this manner do these chimerical changes work, which have been introduced in banking concerns. Capital is withdrawn from the humble sources of industry, producing misery in the homesteads of Englishmen, to aid the distant speculations of some overgrown capitalist; the glittering evidences of whose wealth, and his influence in the higher circles of society in the metropolis, has been a prolific source of error in deciding this question.

Let any considerate man, acquainted with the country, take a survey of England; look at her present productions; regard her state fifty years back; search into the causes of her present condition; and consider what will be the effect of suppressing country banks, and establishing, very partially, in a few places only, Branch Banks of England, and he will be convinced of the danger attending this change of system.

The design of your memorialist being to implore the attention of your Lordship and the government, to a just consideration of the effects of the present proceedings of the directors of the Bank, on the welfare of the people, he abstains from adverting, in any detailed manner, to the effect of the same proceedings on the interests of Bank Stock proprietors. The evidences of the extreme danger to those

interests, hazarded by the establishment of Branch Banks, are distinct and palpable, to all who are acquainted with the principles of banking. But there is another view of these measures, besides that which bankers take. Nothing can be worse, in principle, than that the character of practical paymaster of the Exchequer should be blended in the same person with him who claims on the Exchequer. It is manifestly unfit that the bankers of the state should be the general bankers of the public, who have demands on the state. The Branch Banks obtain powers to receive dividends: thus, the servants of the Bank enter their offices to obtain payment from the servants of the Bank. Is it wise, in this manner, to remove the safeguards against fraud, and to relax the rules made to prevent the commission of crime, after we have seen that a single servant of the Bank could defraud the establishment of nearly half a million sterling, under the immediate superintendance of his masters?

Still less is your memorialist disposed to enter upon that political part of the subject, which relates to the constitutional danger of investing any body of men with so much power as that which the directors of the Bank are grasping at. Your memorialist believes that the sum is not less than a hundred millions sterling, which is

deposited by the public in private banks. When the private banks are subverted, or greatly injured, a great part of this sum may be in the Bank of England; which, combined with the whole paper circulation of the kingdom in the same hands, might give the means, to an unprincipled and ambitious minister, in times of political commotion, by caballing with a subservient directory, to usurp the sceptre of the state. Or he might set at nought the watchfulness of parliament. If the Commons refuse to grant the supplies, money may be had from the Bank till a more convenient parliament can be summoned.

That the directors are full of integrity, and the minister full of honour, does not render the assumption of possible evil, in an extreme case, absurd. If it be shown that the principle, pushed to the extreme, leads to these consequences,—any degree of evil, short of the extreme, may fairly be anticipated.

Viewed in whatever light they may be, the present proceedings of the Bank are pregnant with evil. They tend to destroy all the results of experience and judgment, in regard to the employment of labour; to cause capital to be drawn from industry in the country, to be employed upon industry in great towns and foreign states; to wrest it from those occupations

wherein the returns are remote, the employment of labour regular and long continued, and fortunes are slowly made and rarely lost, to be employed in speculative undertakings. They disturb the institutions of industry, and introduce disorder into the avocations of all below the first class, whose pursuits depend on the temporary or permanent application of other capital than their own. Habits have been formed, the supply of productions arranged, masters and servants have been fixed in engagements, according to the country bank system. Habits, settled and undisturbed for generations, have, as to their effects in society, all the force of laws. The common law of the land is deduced from the customs of the people. We boast justly of our laws, which secure property; and we say that the security of property is a pre-eminent cause of the nation's greatness. If men of prudence and industry be turned from their pursuits, and have their capital destroyed, by violent changes in the money affairs of the country, the breaking up of the laws could do them no greater injury, than they suffer by the breaking up of a co-existent custom by which they live.

Your memorialist would here leave the case, and proceed to the considerations which grow out of it, and the remedy to be applied; but

there are some circumstances which require notice, to prevent false inferences, or erroneous and dangerous conclusions.

Your memorialist believes that he has thought too deeply, and observed too closely, to be deceived, in regard to this question, by those fitful changes in our affairs, which delude the transient or distant observer. He is contemplating the effects, not of a day, a month, or a year; but of a series of years. The malignant principles upon which he is animadverting, are not yet fully introduced. After they have become firmly established, the effects will not be suddenly destructive, like a conflagration; but they will be weakening, wasting, withering, like the *malaria*.

We are told of great improvements in several departments of industry, and it is true; but it is principally in those parts of the country where internal bills of exchange are much used—a species of circulation of great power in commerce; because, as capitalists consider bills the best security for temporary and quickly returnable loans, it is that in which money is most promptly and extensively invested:—it has great power to revivify quickly, after the first favourable change has taken place; but it is, at the same time, compared with any circulation under the control of country bankers, of tenfold danger, by its tendency to excess.

Another circumstance likely, with the superficial, to lead to erroneous conclusions, is, that public opinion, in so far as it is manifested in periodical publications, is against the country bank system. The ignorance of some of the conductors of the public press, is precisely of the same kind as that which actuated the rioters, during the time when provisions were scarce, in the last age. Then, mobs were stimulated to burn corn-stacks, because bread was dear: now, the best way of sustaining oppressive taxation, is to ruin and destroy a great portion of the payers of taxes, and weaken those that remain.

A third circumstance is, that the bankers themselves make no efforts to defend their rights, and evince no approbation of those who do. Being the depositaries of the surplus capital of the country, and having an additional capital, by the use of their own paper circulation, great power has been entrusted to them. Considering the nature of this power, it has generally been exercised by them with wonderful discretion and remarkable wisdom. But in many bankers, it has most naturally engendered a loftiness of deportment, which makes them treat with neglect, and sometimes with contempt, those who rise up in public to defend them. Some would rather retire to their estates,

and live upon their private incomes, than trouble themselves to prove that they are, by their office, benefactors—the dispensers of good throughout the circles of their influence. This, however, is no question of the manners or feelings of bankers. It is the community which suffers. Subvert the country bankers; make the directors of the Bank of England and the managers of its Branch Banks, the sole bankers of the public; exact, for a time, the present amount of taxes, and the state of England will very nearly resemble the present condition of Spain. Or the Bank or State currency will be reduced in value, as that of Russia is.

If your memorialist has succeeded in proving the absurdity of the principle, and the danger attending the operation of the branch bank system, there remains only to notice the reasons alleged for its adoption.

The country bankers have been charged with being the encouragers and supporters of speculation. The term speculation, from meaning a mental process of inquiry and contemplation, has been so degraded; and, in its mercantile application, it has been so bandied and abused, that it is difficult to know the extent of this charge. Speculation may mean, any process by which labour or capital is risked for an uncertain return: to commit the first seed to the

earth by the wild hunter, or to cultivate the marshes of Holland; to hew a basin to catch the drippings of a rock; to construct docks for the navy of Britain; to dig for coal on the side of a Yorkshire hill, or to sink a million sterling in the mines of the Cordilleras. But if it be meant to charge country bankers with employing money to monopolize commodities, for the purpose of enhancing prices; or with embarking it, on crude knowledge, and without experience, upon distant objects, which, at the best, are amongst the most hazardous and uncertain of human enterprises; your memorialist fearlessly denies the charge, and he makes the denial upon no slight authority. Few men are more extensively acquainted than he is, with the habits and practices of bankers. He has not, however, limited his information to that derived from bankers; but he has inquired, respecting this matter, of other persons, in most of the principal towns of England; and he believes that more than nine-tenths of all the people who embarked money in the mining speculations across the Atlantic, dwell generally within sixty miles of London. The engaging in these mining undertakings, with such knowledge as the shareholders possessed, may be adduced as proof of the most powerful unextinguishable love of speculation; or a desire to obtain wealth at a dash, and not by the means of industry.

The directors of the Bank of England having resolved to establish Branch Banks, not, as they at first alleged, to supply a deficiency upon an emergency, but obviously and avowedly for the purpose of making the whole paper circulation of the kingdom that of the Bank of England; and for the obvious purpose, though it is not yet publicly avowed, of subverting country banks, have adopted the groundless charge against country bankers, upon which this important rule was founded. If Branch Banks were established because country bankers "supported, fostered, and encouraged *" speculation, none of the directors should be chargeable with encouraging, fostering, and supporting speculation. This is a most invidious part of the subject, repugnant to the feelings of your memorialist; but if a system connected by habit with all people who live not in great cities be upturned, and one foreign to the habits of the people, and entirely unfitted to their pursuits, be attempted to be raised upon its ruins; it becomes a most important duty to examine the premises upon which the necessity of so great a change is enforced. The allegation is untrue, speaking comparatively, when applied to country bankers; but it is true that the Bank directors have engaged, individually, in some of

* Letter to the Governor of the Bank. *See page* 9.

the most hazardous and unwise speculations, to an incredible extent. If the new system be persevered in, a perfect exposition of the conduct of the directors should be made to the public, whose entire and exclusive confidence is sought to be obtained for them. It is hoped, however, that one example, selected from a number, will suffice to show the incredible folly of setting aside country bankers, and entrusting the whole circulating medium of the country, and the principal banking operations of the kingdom, to the management of such men.

The following example is not taken from the private conduct of individuals; but from a public source, open to examination. The actions of Bank directors, in their corporate capacity, are hidden in suspicious mystery: it would not, however, be difficult to trace also, in their corporate character, a corresponding weakness.

Mining undertakings in another hemisphere, even with competent knowledge, must be amongst the most hazardous of commercial enterprises. Without knowledge, what are they? They are so bad, that a single well-authenticated case of this kind, established against Bank directors, ought, with the proofs before adduced in favour of the country bank system, to have such an effect on public opinion, as to cause the instant abandonment of the Branch Bank system, and to force the directors to cir-

cumscribe their actions within the former circle of their operations.

The Anglo Mexican mining company was established in the early part of the year 1824, at a time when the commonest discernment should have pointed out to the national regulators of the currency, the necessity of increased circumspection, and the madness of such an undertaking. It was divided into 10,000 shares, of £100. per share. The amount of £85. per share has actually been paid. The company has not yet received a single ounce of metal from their agents, except some which was obtained to promote a traffic in shares. The present market value of a share, instead of £85. the cost price, is £28. per share. In this company, some of the late and present Bank directors have an enormous capital invested.

A practice has been introduced in the city of London, of buying and selling great quantities of commodities, without any intention in the parties of becoming possessed of, or ceasing to hold, the things so bought and sold: the difference between the market value and the sale-price is ascertained on a given day, the amount of the difference reckoned, and the money paid. The extent to which this sort of gambling has been carried in the article of tallow, is so great, that to compare it with the most desperate and

extensive gambling ever practised by any of the broken country bankers, would be comparing the marbles lost at *taw* by a school-boy, with the bets lost on a horse-race. The centre and moving principle of this extensive gambling, is assuredly no country banker, nor the associate, now or heretofore, of a country banker. So many Bank directors are conspicuous for having their names, at one and the same time, amongst the directors of many of the new companies, that a suspicion exists, with grave and sensible men, not very unreasonable, that the management of the circulating medium is desired, as a means by which the desperate game of individual speculation may be played with more certainty. The prices of commodities and shares, and marketable securities, depend greatly upon the quantity of money; which indeed becomes, after a time, as regards all things that are sold daily in the great marts, almost the sole regulator of prices. By suddenly enlarging or contracting the amount of the currency, wealth may be dispensed, or ruin inflicted, in a manner unknown to all but those who are within the magic circle. The directors alone know the amount of gold in the Bank—the amount of bank-notes in circulation. They see the first indications of a foreign demand for gold; all their actions are shrouded in secrecy;

and their conduct is practically subject to no responsibility. By extending their influence to the whole kingdom, how terrific the power!

Is this then a state of things to be desired? Are such men to have the power of supplanting, by their mercenaries, discreet bankers; whose characters and property are pledged to the public for their conduct? Is a stranger to be sent, like a picket serjeant, to turn out men who have long enjoyed the confidence of their neighbours; and are settled in their respective circles, in the intercourse of mutual aid and good fellowship? Must the ancient landowner let these men decide whether his estate may be granted to his old tenantry, or be made into a worthless waste? Shall they have the power, by augmenting profits at one time, to create habits of extravagance in the young trader, only to plunge him into disgrace and misery when he becomes surrounded by a family? Shall the hard working farmer have the result of years of toil and care blasted in a day, because men who know nothing of their native country have suddenly resolved to contract the currency? It is a fearful responsibility which the directors are assuming, and they are utterly incompetent to comprehend the tendency of their actions.

Your memorialist now proceeds to describe the first effect which will be produced by the

present revolutionary measures in banking affairs; and to pray for the interposition of government to avert an evil, while the administration has the power to apply a remedy.

The banking business, by conferring great pecuniary power, and combining much general influence, offers the strongest allurements to ambition and mercantile enterprise: it affords the greatest facility for indulging an ardent and sanguine spirit. Considering its functions and properties, nothing in the commercial history of England so eminently displays the qualities of prudence and intelligence, as the conduct of the country bankers. Close observation, and much patient reflection, have fixed this opinion so firmly in the mind of your memorialist, that he desires to repeat, emphatically, his conviction of its incontrovertible truth. He is aware of most, if not of all, the very remarkable exceptionable cases amongst the ruined bankers. The evil, in nearly the whole of those cases, however, took root when the practice of country banking was comparatively new, and false principles were incautiously adopted. The origin of all those contemplated cases of magnitude, without one exception, may be traced to a train of circumstances antecedent to the year 1816.

That a business of such peculiar delicacy should, in so short a period, have been brought

to its present perfection, must appear to any man capable of appreciating the circumstances, most remarkable. The weak or imprudent bankers have paid the penalty of their folly, and are swept away. But they are not gone without having, by their example, placed immovably in the minds of the survivors the most important moral. Who could weakly imagine that, in such a business, perfection in practice would be acquired all at once? Events have now fixed, it may be said, almost universally, sound banking principles in the minds of bankers, by the guidance of which their conduct will be regulated. Rendered wise by suffering and experience, is it at this juncture that the private bankers will quietly walk out of a field which they have assiduously cultivated with anxiety and perseverance, and in which they have invested their capital, to see the Bank directors take possession of it? Will they surrender their rights, upon reasons alleged against their characters? If they do, they not only abandon, supinely, their income and property, but they are also criminal participators in the aspersions on their honour. If they, who best know the truth, thus acquiesce in the charge, your memorialist must acknowledge his own error, in declaring the charge to be groundless. But if they do not thus sur-

render their property, station, and character, what must be the consequences? A division of the private bank interest from that of the Bank of England, a perfect union of the private bankers, and a struggle for supremacy.

It is to this, the first remarkable effect, to which the attention and consideration of the government is earnestly besought. The interests of the Bank of England, and those of the private bankers, have gone on together, with mutual harmony and good will, for a century and a quarter; the latter having regarded the former as their natural guardians and protectors. To the Bank of England the private bankers have resorted in cases of danger; the notes of that establishment have always been held in the coffers of the bankers, as the reserve-guards, to serve them in emergencies and unusual cases, in the country; and in London they have been used as the means of making ordinary payments, and effecting the transfer of those prodigious sums which pass daily from one banker to another, in this the great centre and exchange of the money affairs of the kingdom. The most intelligent bankers calculate the amount so used, by the private bankers in London and the country, at ten millions sterling.

Your memorialist has a strong conviction that, when the truth of the case has been made

clear to his majesty's government, not by the foregoing statement alone, but by inquiry, rightly directed amongst the people fittest to render information, this important matter will be set right by your Lordship's interposition. He believes that the losses by Bank Stock proprietors, if the Branch Bank system be persevered in and extended, will be enormous, for many years. He relies so implicitly on the sincerity of the directors, when they declare that the new system was introduced on public grounds, and not for the emolument of the Bank Stock proprietors; that his belief in their readiness to abandon the Branch Bank system, on the first intimation, from the proper authority, of its inexpediency, is unbounded. His faith in the determination of the government to restore this question, as far as the Bank of England and private bankers are concerned, to the state in which it was two years ago, is so powerful, that he will allude, in the briefest manner, to what he conceives will be the duty of the government, if the Bank directors should resolve on a perseverance in error.

Contemplating the adherence of the directors to the new system, Branch Banks will be continued, and their number will be multiplied. If lucrative business cannot be acquired upon

the present rules, the business at Branch Banks will be conducted on the same principles as those of the country bankers; only the rates will be cheaper, to induce custom. As in all other large undertakings, where the competition amongst powerful people is great, so in this; a part of the capital stock of the proprietors must be hazarded, and, during a long period, sunk, to establish connexions. This must, in the end, inevitably lead to a perfect division of the private bank interest, from that of the Bank of England. After the two interests are become thoroughly severed in twain, by the wedge of the Branch Bank system, the amount of ten millions of the notes of the Bank of England, held at all times by private bankers, (an essential part of the capital of that corporation, which is derived from circulation,) will be used by private bankers no longer; but gold, and notes of some five or six persons, who will be associated in London, for the purpose of making a currency, for the use of bankers and their immediate friends, will be substituted. That this will be, after the arrangements are completed,—easy of accomplishment,—effectual to its purpose,—and of permanent duration, must be evident to all who look closely and analytically at the subject. Great as the amount of the circulation will be,

there can be no question that the credit of five or six persons will be all-sufficient for the purpose, both in London and the country. A single individual in North America, possesses a credit equal in extent to that which is possessed by any of the chartered banks in the United States. The validity of the credit of the bankers bank-note will be stamped by the private bankers, who are the meters of credit. In the same manner precisely as they now use the Bank of England notes, and to the same extent as they now aid the circulation of Bank of England notes, they will afford universal currency to their own adopted notes, because they alone will issue them to the public. In the present unjust and restrictive state of the law respecting bankers, this scheme, therefore, must be successful; even without that collateral encouragement and support, which it will be the interest of the government to render the new establishment.

If matters be forced to this extremity; and there is no denying that the blind confidence of Bank Stock proprietors may allow any extremity of folly to be perpetrated in their name; the government will undoubtedly regard the new establishment as a nucleus of a second national bank; which, by the rivalship engendered, will afford facilities and accommodation, that the administration must desire to render available

for the public service. The government may find it expedient to borrow, on interest, a great part of the floating capital, which will be created by the circulation of the notes of the new establishment, to pay off that part of the debt, due to the Bank of England, which is not permanent. By placing a government mark upon all notes, to the amount of the money borrowed, the notes of the new bank would be received immediately, in payment of all the revenues of the state and the church,—of all colleges, bodies corporate, associated companies, and landed proprietors; and by this means, a more entire confidence, and a more free and extended currency, would, at once, be secured to the notes of the new establishment, than have at any time been obtained for the same amount of the notes of the Bank of England. Can any reasonable man doubt of the readiness of the government to seek this important advantage? Will every succeeding ministry continue to be fettered in their transactions with the Bank directors, because of the floating debt due to that corporation? Will not parliament say, Subject us no longer to having terms dictated to us by the Bank, because there is no other establishment sufficiently powerful to enter on the largest contracts. For example, though your memorialist does not say that the terms of the dead-weight

loan were not, considering the absence of competition, tolerably fair, at the time of making the contract; yet no man will deny, that the Bank has by that contract obtained an enormous profit, which the public has lost.

Every consideration of policy, leads to the conclusion, that the government could not, altogether, withhold its immediate countenance and support from the new establishment, without neglecting the public interests.

Regarding it as the nucleus, out of which would grow a second national bank, that within six years might be apportioned out to proprietors, in shares, what can prevent six wealthy men setting up, forthwith, such a Bank in London. Connexions the most valuable, and a circulation for its notes almost exclusive, against Bank of England notes, might at once be secured, by the six partners in this bank opening proposals for creating, in the year 1833, a stock bank similar to the Bank of England, and confining subscriptions for the shares to the general body of the private bankers of England. Even at this moment, these stock proprietors could establish their bank, and issue notes at Northampton. If, however, the bank were established in London only, as wisdom would direct it to be, the profits of the first six years would be retained by the six in-

dividuals who first associated; or be thrown into the general stock, after six years had terminated, as they, upon consulting with their friends, might determine.

Can any man doubt that success the most ample would attend this undertaking? The value of the Bank of England stock is doubled. That of the Bank of Ireland has been increased three fold. Even the stock of the Provincial Bank of Ireland, which some senseless people would describe as a thing of fungus growth, thrown up in the bubble mania, has been nearly doubled in value, during the last twelve months. The testimony of the Irish people, of the benefit the public derive from this establishment, the market value of the stock, and the dividend it already affords, fully justify the confidence of its projectors, that this bank would become an object of great national utility, and a source of individual profit. It is more particularly cited here, because it is the last of these great undertakings which was established. Its credit was always fully upheld; but it lost the confidence of the public, as stock, soon after it was formed: that confidence is already fully restored, at a time when confidence, in almost all other newly-created joint-stock companies, is almost entirely destroyed.

Contemplating the speedy organization and

final complete success of this undertaking, the notes of the Bank of England will very soon be almost wholly excluded from circulation. The directors would have no outlet for them, but the payment of the dividends. Almost all money received for dividends is paid immediately into private banks: consequently, the circulation of notes, by that means, would be instantly stopped. Looking at the power of private bankers; and regarding the profits which Bank Stock proprietors have derived from their sanction and support; nothing, within the whole range of history, since a piece of metal could be exchanged for a fleece, marks such prodigious absurdity, as the conduct of the Bank directors in this affair. Seeing the power which the private bankers, with union amongst themselves, have to annihilate all those important advantages which long usage has secured to the Bank of England;—seeing that they could exclude the principal amount of its notes from circulation, and subvert all its business, but that connected with the state;—the question will soon be, not whether the Bank directors will consent to restore things to their former order; but whether the private bankers will consent to their doing so, without the directors being mulcted, in the penalty of having their circulation and profits divided with a

formidable rival, for having broken an implied, long-existing compact with the private bankers: —a compact, from which the Bank Stock proprietors have derived such important advantages.

The Branch Bank system is the result of a crude theory, generated in ardent, unreflecting minds. It has been extended, without any investigation of its practical applicability;—in utter ignorance of the causes which led to it;—its immediate effects; or its remote consequences. It cannot, therefore, be persevered in; and it only remains for the government to say how it shall be ended.

From these premises it appears, that the banking system of England, regarding it as one united whole, which ought never to have been broken, has grown up with the wants and changing circumstances of the people; and is now so identified with their habits, that the present frame of society, and the present functions of the government, in regard to the money engagements of the state, must be destroyed with its destruction. The attempt to destroy it, and to substitute a national bank, with its mercenary adjuncts, is in principle the same as an attempt would be to suppress all markets, and the established means of interior communication; for the purpose of setting up govern-

ment depôts, and something which might grow out of " a bill for the better regulation of roads and carriers." Is this a transition which can be suddenly effected, as though it were some alchymical product of four-and-twenty necromancers, met in a mysterious building, with closed doors, and instruments known only to themselves? The change should never have been undertaken, till it had been ascertained how it would affect the well-being of every man in the state, whose capital is engaged in bringing forth the productions of the country.

Your memorialist, seeing that his majesty's present government has manifested an unequivocal determination to render justice to private bankers, by indicating a desire to place all bankers, in regard to stamps, in the same circumstances as those of the Bank of England, cannot doubt its paternal solicitude to arbitrate, and finally settle, this important matter of contention between the rival banking interests. The directors of the Bank of England say that the Branch Bank system was introduced solely on public grounds: it must, therefore, according to their own professions, be given up, when the government declare that the welfare of the country requires its abandonment.

If by this statement the truth has been made manifest, nothing short of the instant abandon-

ment of the new system can show that "the public good and benefit of the people" is now the living principle of this corporate body, as it was when it came into existence.

Your memorialist, on behalf of those struggling, suffering classes, the farmers, graziers, and traders of England, with whom he more especially sympathizes, prays, with an anxious heart and a loyal mind, for the interposition of your Lordship in this momentous matter.

And your memorialist will ever pray.

HENRY BURGESS.

London,
October 25, 1827.

THE END.

Printed by Harvey, Darton, and Co.
Gracechurch-street, London.

HG 2987 B8

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